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THE ARAB LEAGUE. 13 Jan.—The League sent a Note to India and Pakistan offering to mediate in their dispute over Kashmir.

ARGENTINA. 10 Jan.—The first hydro-electric dam finished under the Government's five-year plan—although the work began in 1940—was officially inaugurated at El Nihuil on the River Atuel in the south of Mendoza province.

AUSTRIA. 16 Jan.—*Allied Control Council.* The Soviet High Commissioner, Gen. Kurassov, pointed to the Nazi plot recently uncovered in the British zone as an example of 'dilatatory denazification', for which the western powers were to blame. He also read a long indictment of the British, U.S., and French military authorities, which concluded: 'the facts enumerated above expose with entire clarity the plans of the U.S. and British occupation authorities directed towards the transformation of western Austria into a military base for Anglo-American imperialism.' The French High Commissioner, Gen. Bethouart, took exception to the allegations and was supported by the British deputy Commissioner, Gen. Winterton, who said: 'I am not sure who writes these fairy tales

for the Soviet Government. Lewis Carroll is dead, but the Soviet, like Alice, seems to be still looking through the looking-glass.' Gen. Keyes, the U.S. High Commissioner, tabled a proposal that the Austrian Government should be allowed immediately to assume its maximum responsibilities because of the unforeseen delay in effecting a State treaty, but the Soviet High Commissioner reserved his answer till the next meeting.

BULGARIA. 13 Jan.—M. Dimitrov, the Prime Minister, addressing the Opposition in the Assembly, declared: 'From this rostrum, as you remember, I warned your allies from Nikola Petkov's group a number of times. They did not listen. They ran their heads against a wall. Their leader is under the ground. You must think over whether you want to share the fate of your allies—foreign agents and Bulgaria's enemies. If you have not been wise in the past and do not try to gain wisdom, you will receive a lesson from the nation that you will remember until you meet St Peter.' In attacking the Budget they had not done their duty as representatives of the people and should not be in the Assembly. He declared that if Britain and the U.S.A. had not intervened from abroad, and 'if some had not ultimately attempted to dictate to our sovereign court, Petkov's head could have been saved. The death sentence could have been commuted to other punishment. But when it came to the question of blackmailing the Bulgarian nation and infringing on the right of our sovereign people's court, the death sentence had to be executed. And it was executed.'

16 Jan.—Treaty with Rumania (*see Rumania*).

18 Jan.—M. Dimitrov addressed a crowd of some 200,000 on his return to Sofia from Bucharest after signing a pact with Rumania. The Yugoslav news agency, Tanjug, quoted him as saying: 'The Soviet Union and the countries of the People's Democracy are continuously improving their economic, cultural, and political strength. They have no conflicts, no civil wars. Look what the countries which inspire themselves with the doctrine of Truman and the plans of his collaborator Marshall are like: look at the countries which are in the sphere of Imperialism. There you will see strikes, conflicts, civil wars, and economic crisis, a continuous increase of unemployment, squalor, and pauperism. Such is the famous western democracy which they extol so much and which they want to impose on us by force, as in Greece, where the U.S. military mission, together with British troops, are trying to fasten on the Greek people, against their will, a government of former allies of Hitler . . .'

CANADA. 19 Jan.—The Prime Minister, Mr Mackenzie King, announced Cabinet changes: Minister of Trade and Commerce, Mr Howe; Veteran Affairs, Mr Hulton Gregg; Fisheries, Mr Mackinnon.

22 Jan.—The Minister of Trade and Commerce stated that exports for 1947 were valued at \$2,775 million, over three times the average value of exports in the four pre-war years ended 1939, and 20 per cent greater than for 1946. Some 37 per cent of products had gone to the

U.S.A. and 27 per cent to Britain, and to countries of the British Commonwealth 15 per cent.

CHINA. 16 Jan.—Following an announcement that the Government had protested to Britain against prison sentences imposed in Hong-kong on two Chinese for resisting the evacuation by police of condemned buildings in the Old City of Kowloon, Hongkong Colony, anti-British demonstrations occurred in Canton. A mob of several thousand Chinese set on fire and destroyed the British Consulate, slightly injuring the Vice-Consul, and burned the houses of the British Consul General and Press Attaché, and the offices of British companies.

The British Ambassador, Sir Ralph Stevenson, protested to the Government in Nanking and asked the authorities to take immediate preventive measures.

20 Jan.—Note on Canton incident (*see Britain*).

21 Jan.—The Government sent a Note to Britain protesting against British evictions at Kowloon and claiming full compensation for the squatters involved in the rioting.

CZECHOSLOVAKIA. 12 Jan.—One woman was sentenced to death, two others to life imprisonment, and another two to twenty years' imprisonment in Prague for the torturing and beating to death of women prisoners in Ravensbrück concentration camp.

EUROPEAN ECONOMIC CO-OPERATION. 16 Jan.—Meeting of Committee discussed (*see Great Britain*).

FRANCE. 10 Jan.—The 'Third Force', the combination of parties and ideas represented politically by the existing Government and ideologically by an opposition to both Communism and Gaullism, was officially constituted as an organized group.

16 Jan.—E.R.P. talks (*see Great Britain*).

17 Jan.—Minister of Finance in London (*see Great Britain*).

23 Jan.—The Minister of Finance, M. Mayer, received Sir Stafford Cripps.

GERMANY. 12 Jan.—It was learned that the grain and flour stocks in Hamburg were down to seventeen days' supply, officially described as at 'a dangerously low level'. The weekly bread ration had been reduced to 2,000 grammes. Reports stated that two-thirds of the population had had no fats for two months.

14 Jan.—There was a two-hour strike at Bochum as a protest against the food shortage, and the trades unions decided to call a general strike if the situation did not improve by 1 Feb. At Oberhausen some 25,000 workers staged a one-day strike.

The French-licensed newspaper *Der Kurier* of Berlin published details of an alleged Communist plan, said to emanate from the Cominform, for the organization of wide-spread agitation and strikes, including a general strike, in western Germany, particularly in the British

zone. The alleged Cominform instructions said that though the German Communist Party was not itself a member of the Cominform it had a key position in the coming struggle. The working classes of all nations would supply the necessary assistance and the German Communist Party had the task of using this assistance ruthlessly so that the object of the winter plan—the 'breaking of the monopoly-capitalist attack and the so-called Marshall plan' might be achieved.

The plan of campaign in western Germany, it was alleged, was that there must be simultaneous 'risings of the workers' in transport and in productive industries—the strike wave to be led by the Union of the Transport Workers and of the metal workers. In all this the Communist Party, it was emphasized, must remain in the background, and it was suggested that if enough reliable people (of unspecified parties though presumably Communists) could not be found before a fixed time, then Social Democrats must be used. Cadres, which in the document were given numbers and functions, were charged especially with the task of seeking out weak points in the organization of the Social Democratic Party.

The document was stated to contain three points on which agitation was to be concentrated: the Marshall plan as an enslavement plan of the monopoly capitalists in the United States; the strikes in the countries dominated by the monopoly capitalists as a sign of the increasing decay of capitalist society; the peaceful and progressive development of eastern European economy under the protection of the Soviet Union. Three 'action cadres' had the task of publicizing demands for a plebiscite and for socialization in the Ruhr. Dates were set for certain details of the plan—the organization of strike cadres by the end of February, and the organization of the general strike from the beginning of March. Finally, it was stated that the supervision of the plan lay in the hands of the 'M.A. cadre', and that officials must carry out instructions immediately in every instance.

Two conferences, one attended by leading ministers, officials, and trade unionists of North Rhine-Westphalia and British representatives, and the other attended by the Ministers of Food of all the *Länder* in the Anglo-U.S. zones, considered the deterioration in the food situation.

15 Jan.—The Socialist Unity Party issued a statement in Berlin denying the authenticity of the document containing details of a Cominform plan to foster unrest in western Germany.

16 Jan.—About 150,000 workers in Duisburg and Mülheim took part in a 24-hour strike of protest against food shortages. Coal mines were partly affected.

At the conference of the Food Ministers of all the *Länder* of the Bizone in Düsseldorf, it was agreed that during the current four weeks' rationing period only half of the fat ration would be distributed to consumers in the *Länder* other than North Rhine-Westphalia and during the next period no fats at all, so that an estimated saving of 17,000 tons of fats might be made for allocation to North Rhine-Westphalia, where no fats had been distributed in recent weeks.

Krupp Case. Six German Defence Counsels, who walked out in pro-

test against a ruling of the American military tribunal, were arrested and committed to prison for contempt of court.

17 Jan.—Field-Marshal Montgomery, C.I.G.S., arrived at Melle, near Osnabrück, on a short visit.

19 Jan.—The terms were announced of the new charter of the Anglo-American Joint Export-Import Agency and its fiscal instrument, the Joint Foreign Exchange Agency. The two organizations were to be merged and to have 'complete autonomy' in a vast programme for increasing exports from the bi-zone. The new charter was designed to 'facilitate the development of the bi-zonal area into a self-sustaining economic unit which can be maintained without further financial assistance from the U.S. or British Treasury'. The statement said that the Export-Import Agency would be considerably strengthened by immediate steps for improving existing machinery for the supervision and control of foreign trade in the bi-zone. It would be governed by a board of directors consisting of the financial and economic advisers to the U.S. and British Military Governors, the director-general, and his deputy. The agency would have a fully integrated British-American staff.

Voting strength would be based on the proportion of the funds made available by the British and United States Governments to the capital of the agency, and the U.S.A. would have the majority voting strength.

A sum of \$100 million had been earmarked for the purchase abroad during the first quarter of this year of raw materials for the joint British and U.S. zones. Of this amount \$20 million would be used to buy raw materials for the manufacture of consumer goods. At least \$5,500,000 would be spent on iron and manganese ores required for the 1948 steel production programme, under which it was intended to increase output by between 3 million and 4 million tons. It was emphasized that the fund made available for imports had been accumulated from the proceeds of German exports, no part of which had been used to pay for food imports or reimburse the British and U.S. Governments for their expenditure on food for the bi-zone.

Hans Böckler, president of the federation of trade unions, rejected the decision of the clerical workers in the British zone to go on strike as a protest against the food shortage.

U.S. statement on food situation (*see U.S.A.*).

20 Jan.—At a meeting of the Control Council, Gen. Clay gave details of the Anglo-American plan for strengthening the economic administrations of the bi-zone. He emphasized that the plans were purely economic and had no political significance. Marshal Sokolovsky said the U.S.S.R. considered the plan was a new step towards splitting Germany and establishing a western German state. At the Council of Foreign Ministers in London the other Foreign Ministers had refused to agree to the Soviet proposal for a central German Government. But the new proposals were in effect proposals for a Government, which meant that the Americans and British had established, or were intending to establish, a German Government in the bi-zonal area. He declared that these measures had been carried out behind the back of the Control Council and were a violation of the Potsdam agreement.

21 Jan.—Some 90,000 workers in Cologne staged a one-day strike as a protest against the inadequate rations.

23 Jan.—Iron-ore workers at Siegen went on a one-day strike as a protest against the low rations.

Some 750,000 workers in Bavaria, excepting those in essential work, went on strike as a protest against the Bavarian Government's food policy.

Textile workers in Aachen went on strike.

The Economic Council passed a regulation, known as the 'pantry law', requiring all stocks of food, even those held by individual households, to be declared at a given date.

GREAT BRITAIN. 12 Jan.—Sir Stafford Cripps, in an assessment of the home demand for steel for 1948, indicated the possibility of larger supplies being allotted for engineering and vehicles, consumer goods, agricultural machinery, transport, coal mining, and the electricity industry. To balance these, cuts would be made in the allocation to building, shipbuilding, and the gas industry.

Following monetary discussions with Portugal, the Treasury stated that in view of the suspension of the free convertibility of sterling it was agreed that the supplementary monetary agreement of 26 February 1947 should be abrogated; but the principal monetary agreement should remain in force and provide the framework for payments for the year 1948. The two Governments agreed that they would work closely together to encourage trade exchanges and, at the same time, maintain an approximate balance in payments between the two monetary areas. As payments in respect of current transactions had been moving in favour of Portugal, and the sterling balances of the Bank of Portugal had reached the prescribed limit of £5 million, some adjustment was necessary before such a plan could be put into operation. The Portuguese Government therefore agreed that the proceeds of certain exports from Britain which had been set aside for the reduction of outstanding debts to Portugal, should be used to re-establish the credit of £5 million and thus provide adequate cover for the normal swing of trade under the new programme for 1948. They also agreed to facilitate the importation of a wide range of goods from Britain which would enable Britain to increase the range of its imports from the Portuguese monetary area. An exchange of letters abrogating the supplementary monetary agreement was signed on 9 January, and published as a White Paper (Cmd. 7302).

14 Jan.—The new High Commissioner for South Africa, Mr Leif Egeland, arrived in London.

U.S. comment on Britain's economic position (*see U.S.A.*).

15 Jan.—A treaty of alliance and friendship (Articles 1-3) with Iraq was signed at Portsmouth replacing (Article 5) the 1930 Treaty and the 1936 Railway Agreement. It was without prejudice (Article 4) to the present or future rights and obligations of the parties under the U.N. Charter or their existing international agreements, any differences in interpretation being referable to the International Court of Justice

(Article 6). The Treaty was to remain in force for twenty years (Article 7), with the possibility of revision after fifteen, or a lesser period if a complete system of security agreements under Article 43 of the U.N. Charter was concluded before then. An Annexure, which was 'an integral part' of the Treaty (Article 5), had ten Articles of which (1) (a) recognized the importance of air bases as an essential element in the defence of Iraq and of international security; and agreed (b) that if either party became involved in a war or the threat of it, Iraq would invite Britain to bring immediately to Iraq the necessary forces of all arms and would furnish on Iraqi territory all the facilities and assistance in its power; (c) that Britain would provide at the Iraqi bases at Habbaniya and Shaiba the technical staff and equipment required to keep them in a state of operational efficiency; (d) that until peace treaties had entered into force with all ex-enemy countries, Iraq would grant operational units of the British Air Forces free access to and use of the two air bases, the Peace Treaties to be regarded as fully in force when the allied forces had been withdrawn from the territories of all ex-enemy states. After that time Iraq might invite British units to use the bases on the advice of the Anglo-Iraqi Joint Defence Board, the permanent advisory body which was to be established (Article 5 of Annexure), with equal numbers of military representatives of the two governments, to co-ordinate defence matters. British aircraft in transit across Iraq would in any case be allowed free use of the bases. All appropriate facilities would be made available to the Royal Iraqi air force at British R.A.F. air fields in the United Kingdom or overseas, for the purposes of joint training, and Iraq would give the same facilities to the R.A.F. (Article 3 of Annexure). Britain undertook to grant all possible facilities for the Naval, Military, and aeronautical instruction of Iraqi officers in the United Kingdom and to furnish Iraq with arms, ammunition, ships, and aircraft of modern pattern and to provide officers to serve as instructors with the Iraqi forces (Article 8 of Annexure). Standardization of armaments and essential equipment with those of the British forces was provided for, and there was an undertaking by Iraq to choose British subjects and British training facilities whenever recourse was had to foreign military instruction (Article 9 of Annexure). Iraq also undertook to grant general permission to British ships to visit the Shatt-al-Arab provided that prior notification was given (Article 10 of Annexure).

In an exchange of letters between Mr Bevin and the Iraqi Prime Minister, Sd. Salih Jabr, which accompanied the Treaty, it was stated that to assist the Iraqi Government in their extensive plans of economic and social development, the Government would do all in their power to meet requests for experts or technically qualified officials. In connection with Article 4 of the Treaty, Sd. Salih Jabr attached particular importance to the Arab League Covenant and the Saadabad Pact.

16 Jan.—*European Recovery Programme*. A joint Franco-British statement was issued on the talks between Monsieur Hervey Alphonse, economic director at the French Foreign Ministry, and Sir Edmund Hall-Patch, deputy under-secretary of State at the Foreign Office, in London. It said that progress in the field of economic co-operation

since the publication of the Paris Report was surveyed, and it was agreed that the time had come to consult other participating countries with a view to taking stock of the results achieved. It was considered that such consultation would be a more effective method of furthering European economic co-operation at this stage than a full and formal meeting of the Committee for European Economic Co-operation, which would seem premature until more definite decisions had been taken by the U.S.A. It was agreed that a small Anglo-French mission should be set up which would visit countries taking part in the Marshall Plan for informal discussions.

Note on Trieste. The Government replied to recent Yugoslav protests to the Security Council (see III, p. 648). They pointed out that under the peace treaty the Anglo-American and Yugoslav zones continued to be administered by Military Government until a Governor was appointed, so that constitutional changes could not until then be introduced. While the A.M.G. had scrupulously avoided exceeding the powers invested in it, in the Yugoslav zones various changes had been introduced without consultation of the inhabitants. Reference was made to the incident of 15 September 1947, when an attempt was made contrary to the Italian peace treaty to introduce Yugoslav troops into the Anglo-American zone. Since then the Yugoslav authorities had professed a scrupulous regard for the treaty, but the British Government were not satisfied with the good faith of these professions. In the light of these experiences they could not agree to the Yugoslav request that a joint Anglo-American-Yugoslav headquarters be set up in Trieste.

Mr Marquand, the Paymaster General, left for a tour of Africa.

The Foreign Office stated that the communal riot at Mogadishu, Somalia, could only harm the interests of those responsible. It had been British policy in Somalia to preserve a fair and even balance between all communities. Reinforcements had been sent, the situation was in hand, and a court of inquiry into the disorders was being set up.

The Foreign Office published what was claimed to be the full text of the Communist plan to organize strikes in Germany (see *Germany*). They stated that further confirmation had reached the Government confirming their belief in the authenticity of the document.

17 Jan.—Sir Stafford Cripps received M. Mayer, the French Minister of Finance, and a statement issued afterwards said that they had discussed 'the maximum possible co-ordination of their policies to the benefit of their two countries and of the general recovery of Europe.'

19 Jan.—The President of the Board of Trade, Mr Harold Wilson, speaking in London and reviewing the Government's export policy and recent trade negotiations, said that the markets regarded as of outstanding importance were Canada, the U.S.A., and Argentina. It was important that exports should be 'dollar savers' or 'dollar earners', and the long-term significance of other markets must not be overlooked. Canada was most anxious to be supplied with more goods. Cotton textiles should show the largest expansion in 1948. They were planning to boost the present rate of about 10 million yards to about 100 million

yards by the end of the year. This would allow Canada to cut down purchases from the U.S.A. and save dollars and would restore Britain's pre-war position as the main supplier of the Canadian market. Within the sterling area South Africa, because of its position as a gold producer, was a market of particular importance. Exports to South Africa might, indeed, not only save dollars but earn gold, and in view of its importance as a long-term market it could be placed practically on a par with the three main dollar markets.

The main objectives at which the Government had been aiming in their trade talks with other countries were: (1) to minimize the drain on dollar and gold reserves; (2) to keep the maximum amount of international trade going; (3) to consider the special position of the sterling area, since Britain's gold and dollar reserves were also those of the rest of the sterling group.

20 Jan.—The value of exports for 1947 was £1,137 million and imports £1,787,500,000.

Lord Listowel, replying to a debate in the House of Lords, said he would like to make it clear that the dates given for the termination of the Palestine mandate and the withdrawal of troops were terminal dates, which could not be postponed but might be advanced. He had no reason to believe events in Palestine had made it likely that Britain would not be able to complete the military withdrawal by 1 August 1948. Some idea of the serious character of the disturbances could be gained from the number of casualties that had occurred since the United Nations' decision was taken. From 30 November to 18 January of this year the casualties suffered by British troops and police were: 20 soldiers killed and 72 wounded; 14 police killed, 40 wounded; 8 British civilians killed, 2 wounded. During the same period 345 Arabs had been killed and 877 were known to have been wounded. The Jewish casualties were 333 killed and 633 wounded. In those grave circumstances the Government had concentrated the security forces in the mixed areas, and they had endeavoured to sustain both communities.

Sir Stafford Cripps stated in the House of Commons that the overall cost of maintaining military forces and supplies in Palestine between 1 July 1945 and 30 November 1947 was about £100 million.

22 Jan.—The Prime Minister of Iraq, Sd. Salih Jabr, issued the following statement: 'During our temporary absence from Iraq some destructive elements in the country, whose number is fortunately limited, exploited some innocent students and succeeded in creating disorders. On our return to Iraq we shall explain the intentions of the new treaty to the Parliament and people. We are confident that it will be found that the national aspirations of the country are fully realized in this treaty and that the overwhelming majority of the country will support it. It is with this belief that my colleagues and myself signed this treaty.'

Review of Foreign Affairs. Mr Bevin, in the House of Commons, made the following points. Communist expansion: One of the main issues at the conferences during the war was the future of Poland. The solution arrived at at Yalta was looked upon by the Government at the

time as a sensible compromise between conflicting elements, but there was no doubt that as it had evolved it had revealed a policy on the part of the U.S.S.R. to use every means in their power to get Communist control in eastern Europe and, as it now appeared, in the west as well. Thus the issue was not simply the organization of Poland or any other country but the control of eastern Europe by Soviet Russia. The maps showed how the U.S.S.R. had expanded since the war and now stretched from the middle of Europe to the Kurile Islands. Yet all evidence showed that she was not satisfied with her tremendous expansion. In Trieste what should have been a great experiment in post-war international co-operation had only been a continuing source of friction and danger.

Greece. Then there was 'the great issue' in Greece. It had been assumed, in fact said, that the Soviet Union could wait, that the United States and Great Britain would get tired, and that the so-called Government of Communist rebels could be recognized later on without danger. Thus in the end a Communist Government would be forced on Greece and she would be incorporated in the Soviet system of Communism with the rest. The Government had hoped to have been out of Greece and that after the first election a Government would have been formed and that in time subsequent elections would take place and the whole process of democratic development allowed to function. But a state of virtual civil war had been perpetuated the whole time. So it was not a question of what sort of elected Government there was in Greece. It was a ruthless attempt to bring that country into the Soviet orbit. This was a dangerous situation. It was a case of power politics. He had been trying to leave Greece an independent country and get out of it, but he wanted her northern neighbours and every one else also to leave her alone and get out. The Government would do this immediately other countries did the same. In this case the United Nations had been brought in, but they had been flouted by the Balkan neighbours of Greece. He declared: 'There is a very real danger that they and their Soviet mentors may make a great blunder over this business. I would advise in all solemnity great care. Provocations like these sometimes lead to serious developments which we hope they are anxious to avoid. It would be better to settle this matter in accordance with the Assembly decision of the United Nations than in the promotion of civil war or giving any kind of recognition to the Markos Government or by attempting methods which had been applied elsewhere. If we accept the Assembly decision in other matters, we should accept it in the case of Greece. It is dangerous in international affairs to play with fire. We have had other examples since the war, wars of nerves and pressures upon weaker neighbours. It is the considered view of his Majesty's Government that attempts to settle international affairs by political purges and wars of nerves reduce the chances of finding acceptable solutions and make agreement difficult if not impossible. Propaganda makes no contribution to the settlement of international problems.'

Germany and Austria. Discussions took place at Yalta about the dismemberment of Germany. The Government had always considered

that this dismemberment would inevitably start an irredentist movement causing a resurgence not of a peaceful Germany but of a spirit of war. They therefore welcomed the changed attitude that appeared to have followed by the time they got to Potsdam. But after Potsdam things began to go wrong. The central agencies did not materialize, and it was not long before the Soviet Government began hurling accusations at the western allies instead of trying to evolve a common policy. Many things had been done, and he paid a tribute to the Russian representatives, who when they were free to discuss things on their merits, were grand people to get on with, but who, when it came to the political business, were held up. The Marshall Plan had brought vividly to light what must have been under the surface, and what was responsible for the Soviet attitude since the war, and for some of the events during the war.

The Government had been in favour of a central German Government, but not over-centralized, since that would be a danger to peace. In that, he believed, the Americans, French, and ourselves could reconcile our views. On the other hand, the U.S.S.R. had pressed for an over-centralized Government which the Government realized could be used in exactly the same way, to develop one-party dictatorship, as had been done in the eastern European countries and they could not agree. It became clear in 1946 that their zones would be a terrific financial liability on the U.S.A. and Britain since no food was to come from the east into the west. The Americans then offered fusion of the two zones and while it had not been all success, they had tried to make the fusion work. Now the Economic Council had been expanded and improved on an interim basis. In a few weeks' time it was intended that the American, British, and French should have an exchange of views on the three zones. Another very big problem which they were trying to solve on a four-Power basis was currency reform, which was absolutely imperative, although very difficult to arrange.

The Germans had a part to play in all this. If they were to win the respect of the world again and come back in the comity of nations they had to work hard to earn their position. They could not have it given to them. He had read with disgust of the German farmers holding back food from their own kith and kin, and resolute steps were being taken to stop this, but he would like to see the German administration doing it, because it was important if confidence was to be established. Trade agreements were being made between western Germany and eastern Europe. All kinds of steps had been taken to develop the export trade to put Germany back on her feet. He again would warn her, however, that if she relied or acted as if Britain were going to feed the Germans all the time she was labouring under a delusion. She had to work like other countries. Agreements had been made between western Germany and Poland, and that policy would be followed, for it was the right one. They were doing nothing to break down the contacts, in spite of the political difficulties.

He had persisted in trying to make a treaty with Austria. He could not understand why a nation of 200 million people like Russia should find

it necessary to delay a settlement with a small country of 7 million. This torture of Austria for all these years was really reprehensible.

British Policy in Europe. This policy had been based on three principles: (1) that no one nation should dominate Europe; (2) that the old-fashioned conception of the balance of power as an aid should be discarded if possible; (3) that there should be substituted four-Power co-operation and assistance to all the States of Europe to enable them to evolve freely, each in its own way.

He was sure that the House and the world would realize that if any one power pursued a policy of trying to dominate Europe by whatever means, direct or indirect, it would inevitably lead again to another world war. On behalf of the Government he had stated that they would not use, as an instrument of policy, smaller Powers to produce difficulties between the larger Powers, thus giving the smaller Powers a chance to evolve under the umbrella of the four Powers without feeling of fear or conflict. The Government could not agree to four-Power co-operation while one of those four Powers proceeded to impose its political and economic system on the smaller States. They had hoped that the end of the war would have meant the end of the police State as well as all instruments of this character, but such States were still well in evidence and were being run with ruthless efficiency. While there was talk about elections and democracy votes counted for very little. It was true the votes had not disappeared, but it was the voter, and the successful candidate, if he dared to have an opinion of his own, who disappeared. Recently some members of Parliament in Bulgaria said that they objected to the Budget and were immediately threatened because they had objected to the taxation proposed, and the Americans and British were made responsible for the opinions of these men about the Budget. All this was purely nonsensical. The Government had always accepted that the friendliest relations should exist between Russia and the States on the Russian frontier, and, indeed, such friendly relations were quite a different thing from cutting off eastern Europe from the rest of the world and turning it into an exclusive, self-contained *bloc* under the control of Moscow and the Communist Party. They had always wanted the widest conception of Europe which would include the U.S.S.R.

When he met M. Stalin in December 1945 he explained that Britain must have security arrangements with France and other neighbouring countries just as the Soviet Union had with her neighbours to which Britain raised no objection. He had said that whatever Britain did would not be directed against the U.S.S.R. To this M. Stalin replied: 'I believe you.' Nothing the Government did in this matter would be directed against the U.S.S.R. or any other country, but they were entitled to organize the kindred souls of the west just as the Russians had organized kindred souls. As late as January, 1947, M. Stalin took a similar line with Field-Marshal Montgomery.

The European Recovery Plan. He considered that the Russians, in opposing the plan, thought they could wreck or intimidate western Europe by political upsets, economic chaos, and even revolutionary methods. It was no secret that M. Molotov threatened both Britain and

France that they would have to look out for squalls if they went on with the programme.

As the discussions went forward after the Paris conference they knew almost the precise dates when these troubles were going to take place. The best evidence of the truth of this was that the Cominform came into existence very quickly with the avowed object of preventing the European recovery programme from succeeding. The intention of the Soviets was to anticipate the interim aid from the U.S.A. so that by the loss of production at home U.S. aid would be nullified. There had been political strikes in France, and who would dispute the influence behind them?

A Western Union. 'The free nations of western Europe must now draw closely together. I believe the time is ripe for a consolidation of western Europe.' As for France, Britain already had and would maintain close contacts, but 'the time had come to find ways and means of developing relations with the Benelux countries.' He went on: 'Yesterday our representatives in Brussels, The Hague, and Luxembourg were instructed to propose such talks in concert with French colleagues. I hope treaties will be signed with the Benelux countries, making, with our treaty with France, an important nucleus in western Europe. We have then to go beyond the circle of our immediate neighbours . . . and consider the question of associating other historic members of European civilization, including the new Italy, in this great conception. Their eventual participation is, of course, no less important than that of countries with which, if only for geographical reasons, we must deal first. We are thinking now of western Europe as a unit. The nations of western Europe have already shown at the Paris conference dealing with the Marshall plan their capacity for working together quickly and effectively. That is a good sign for the future. We shall do all we can to foster both the spirit and the machinery of co-operation . . . Britain cannot stand outside Europe and regard its problems as quite separate from those of its European neighbours . . . As a practical immediate measure to make our relations with western Europe closer H.M. Government are proposing to relax the ban on tourist travel . . . providing such arrangements can be made without involving us in the expenditure of gold or dollars, and the allowance would be £35 for an adult and £25 for a child.'

He went on: 'H.M. Government have striven for the closer consolidation and economic development, and eventually for the spiritual unity, of western Europe as a whole; but in eastern Europe we are presented with a *fait accompli*. No one there is free to speak, or think, or to enter into trade or other arrangements of his own free will. The sovereignty of the eastern European nations is handicapped.'

'What of the West? Neither we, nor the United States, nor France, is going to approach western Europe on that basis. It is not in keeping with the spirit of western civilization. If we are to have an organism in the West it must be a spiritual union. While no doubt there must be treaties, or at least understandings, the union must primarily be a fusion derived from the basic freedoms for which we all stand. It must be on terms of equality and it must contain all the elements of free-

dom for which we all stand. That is the goal we are now trying to reach. It cannot be written down in a rigid thesis, or in a directive. It is more of a brotherhood and less of a rigid system.

'Europe, in spite of criticism levelled at her, has done an amazing job since the end of the war. The countries of Europe are returning now to established law and order. There has never been a war like this before. Never has it been so difficult to make peace. It is not a question of sitting down together, as it was at Versailles, and then at the end signing a treaty. This time it is systems, conceptions, and ideologies which are in conflict. I do not want to take an irrevocable step which will make future generations pay just because I was over-anxious to gain a settlement for settlement's sake. This time it has to be a real settlement which lasts for a long time.

'In this new settlement Germany, like all other European nations, must find her place, but she must not come before her recent victims. As other nations settle down Germany can settle down too, but must be prevented from becoming aggressive again. We shall welcome her return as a democratic nation. In all our efforts that is the objective for which we have been working, but I must repeat to the Germans that—I am not blaming the whole German people—they were the great factor which brought the world to this condition. They must realize that as a people they have to work hard to get their own country and the world back to a proper equilibrium. I have been glad to note the growing realization of this fact among the Germans themselves.

'In spite of all the artificial barriers set up and the propaganda blared out, which will no doubt be increased after this debate, we shall pursue a course which will seek to re-unite Europe. If the present division of Europe continues it will be by the act and the will of the Soviet Government, but such a division would be inconsistent with the statements of the highest Soviet authorities and of Stalin himself. I told Mr Stassén in Moscow last April that for collaboration it is not requisite that people should have an identical system. We have always tried, and we are still trying, to co-operate with the peoples of eastern Europe on that basis although the activities of the Cominform, and those of its predecessor the Comintern, afford the greatest hindrance to mutual confidence and understanding.

'We shall not be diverted by threats, or propaganda, or fifth column methods, from our aim of uniting by trade, social, cultural, and all other contacts those nations of Europe and of the world who are ready and able to co-operate. The speed of our recovery and the success of our achievements will be the answer to all attempts to divide the peoples of the world into hostile camps. I may claim, for myself at least, that my whole life has been devoted to uniting people and not dividing them. That remains my objective and purpose now and that is the object and purpose of his Majesty's Government.'

He was not concerned only with Europe as a geographical conception. Europe had extended its influence throughout the world. In Africa great responsibilities were shared by Britain with France, Belgium, and Portugal, and in south-east Asia they were closely concerned with the

Dutch. The western organization of Europe must be economically supported, and that involved the closest collaboration with the Commonwealth and with the oversea territories of the French, Dutch, Belgians, and Portuguese. Their raw materials, food, and other resources could be of mutual advantage to those territories and Europe and the world. The other two great Powers, the U.S.A. and the U.S.S.R., had tremendous resources and there was no need of conflict with them in this matter. If western Europe was to meet its balance of payments, and in order to get world equilibrium, it was essential that these resources should be developed and made available, and exchanges carried out between them in a correct and proper manner. The Government had been considering planning for the territories for which they were responsible so as to establish, out of the capital production year by year particularly, and also out of the production of consumption goods, a proper proportion, in the right order of priorities, to assist this development. If they got the plan they intended to develop economic co-operation between the western European countries step by step, and also to develop the resources of the territories with which they were associated, building up a system of priorities which would produce the quickest and most lasting results for the world. It was hoped that other countries with dependent territories would do the same in association with this country. This effort would stretch through Europe, the Middle East, and Africa to the Far East, and it would not be exclusive but intended to make the whole world richer and safer.

Middle East Policy. The development of the Arab countries in the last 30 years had been remarkable, and Britain had made a great contribution towards it. The Government would continue their efforts to build up a system of co-operation in economic and other fields which would carry with it responsibilities for mutual defence on both sides.

The House would welcome the recent treaty with Iraq. There had been a lot of excitement about the reactions to the treaty in Iraq. There must have been some misunderstanding in Baghdad, which the Iraqi delegates should be able to remove on their return. Neither he nor the Iraqi Prime Minister would have put his signature to any document which ignored the national aspirations of Iraq. He hoped the treaty would serve as a model for the development of other Middle East defence arrangements. He was discussing the new situation first with Transjordan, whose Prime Minister was coming here for talks in a few days. The Emir Feisal would be here at the beginning of next month, and they would talk with him and, through him, with Ibn Saud. Other such talks would follow, he hoped. In the case of Egypt a different set of historical conditions had to be taken into account. He wanted to get away from the atmosphere of past disagreements and he was not without hope of being able to do so at an early date, though it might take some little time.

All these steps both in the Middle East and the western union were in keeping with the Charter of the United Nations. They were all designed on this regional basis to fit in with the Charter in the end.

United Nations. Up to now the United Nations had been disappoint-

ing. It might, however, be better to have the disappointments at the beginning. There was an enormous amount being done in the United Nations, economically, culturally, and socially, to add to world understanding. Nations had collaborated in many fields, a good deal in settlement of disputes—none of them major disputes. There had been missions to Greece and Korea and now to India and Pakistan, and he wished them well. At last the mission to Indonesia seemed to have created a truce which might lead to a settlement.

The United States. The U.S.A. seemed to be a sort of bogey to a good many people. Everybody got the idea that it had a great fund of dollars which it was trying to hurl at everybody for some ulterior motive. To anybody who followed the efforts to get those appropriations through Congress it did not bear that interpretation. America was a democratic country trying to look where it was going and what responsibilities it was undertaking. He would speak of the U.S.A. not as a country which had been misrepresented in propaganda as a sort of Shylock of Wall Street but as a young, vigorous, democratic people whose people were moved by good will and generosity, which many in the Old World were apt to take for granted. American policy must have regard for American interests, but it had been so often traduced as purely selfish that he thought it time to pay tribute to the spirit of the American people which found expression in the European Recovery Programme. There was no political motive behind the Marshall offer other than the overriding human motive to help Europe to help herself, and so restore the economic and political health of the world. That was everybody's interest. It was better to spend money to build Europe rather than have poverty and disease create conditions for war and dictatorship. That was sound sense and the Government welcomed it. Nor could he see anything wrong with the American system of asking that the nations should do everything in their power to put their house in order as a condition of American aid. If he were to look for political motives he would discern them more easily behind the attempt to sabotage the Paris conference.

Japanese Peace Treaty. There was a conflict over this matter because the U.S.S.R. wished the peace treaty referred to the Council of Foreign Ministers—not a very encouraging prospect—and it was very difficult to agree to it. Australia, New Zealand, India, Pakistan, Burma, and the Netherlands had been in the Japanese war from Pearl Harbour, and while he admitted that the maintenance of Russian forces in the maritime provinces before they came into the war probably had an effect, the actual time Russia was in the war was only a few days. Yet he was asked to agree that they should take a predominant position over the allies who had fought all the way through. One could not expect people to accept that, and what had been proposed was that the 13 or 14 countries involved should form a peace conference. They were more likely to clear up the Far Eastern position, and he hoped that the Soviet Union would see their way to accepting that, and let them get on with the business of making one good peace treaty.

23 Jan.—Mr Attlee, winding up the foreign affairs debate in the

House of Commons, said the Government recognized that there was in Communism a dynamic force. The orders from Moscow were obeyed not only by the satellite States but by the Communist parties in other countries. There was just one party line. The Government could, and wished to, have the friendliest relations with the people of Soviet Russia. They could have the friendliest relations with a Communist State. But they were not prepared to accept Communism. They were resolutely opposed to the Communist way of life. The 'police state' was utterly repugnant to the peoples of western Europe, who had known freedom so long. He went on: 'We shall not try to foist our system on the Soviet Union. Equally we demand that they should not try to foist theirs on us. I am sure M. Stalin is enough of a realist to appreciate the complete failure, during the inter-war years, of the Communist creed to make any effective advance in this country. Therefore, he should give up the idea that somehow this country is going to turn Communist. But we who believe in freedom have to evoke an equal enthusiasm and an equal loyalty for our own ideals. We are opposed to the Communist conception of uniformity. The essence of democracy is difference of opinion, free discussion, toleration of other people's points of view, and the world we want to see is a world in which there are a number of diversified and different units, not a Communist world in which they have tried to make Bulgaria and Yugoslavia little copies of Russia. If western civilization is to stand against this ideological assault it must attain a degree of unity, but any attempt to get uniformity would divert us from the object we have in view.' He naturally desired to see all countries embrace the principles of democratic socialism, which was the dynamic counter to Russian Communism. But it was not a part of Socialist policy to force Socialism on any nation. They did not look for uniformity but for diversity and for the form of government to suit the characteristics of any particular country. The free countries of Europe had one thing in common—they believed that in the modern world there must be a planned economy, and, he believed, they all recognized that each national plan must be fitted into a wider plan—the plan for Europe and the plan for the world. The nineteenth-century conception of a self-contained and anarchic economic system was dead. Another thing that united the States of Western Europe—and it was equally important—was the recognition of human rights. It was curious that there were people who claimed to be left who would deny these rights to their fellow beings. There were some would-be left-wingers in Eastern Europe who shut their eyes to these things. Those who denied these rights had no right to claim to be in the van of human progress. In the field of human rights today, Russia and Eastern Europe were at the back of the queue.

Sir Stafford Cripps in Paris (*see France*).

GREECE. 10 Jan.—A rebel band of about 200 attacked the village of Idomeni, a furlong from the Yugoslav frontier. They were forced back by the Army and retreated across the frontier into Yugoslavia.

The drachma reached a new low level of 235,000 to the gold pound.

14 Jan.—A rebel force about 1,000 strong occupied the township of Arakhova near Naupaktos (Lepanto) on the Gulf of Corinth after a two-day attack.

19 Jan.—The head of the U.S. mission announced that Greek gold kept in the U.S.A. and pledged by Greece to secure a loan of \$10,800,000 from the Federal Reserve Bank, New York, would be released and placed at the disposal of Greece after its conversion into sovereigns.

Heavy fighting was reported from Paranesion in Thrace.

23 Jan.—Army units reported that they had captured the rebel H.Q. on Parnassus and on Helikon.

HUNGARY. 12 Jan.—Budapest radio reported that the Social Democrat Vice-Premier, M. Szakasits, speaking at a public meeting, declared himself in favour of working in 'ever closer alliance' with the Communists, and he spoke of the measures taken against other Hungarian political leaders. He declared: 'We have eliminated one by one the cliques of Ferenc Nagy, Sulyok, Pfeiffer, and Peyer. Our actions were correct, even if we did not always observe—although, regrettably, we mainly did—the rules of the bourgeois democratic game.' The Social Democratic Party wished to be a 'strong, fighting-fit, revolutionary left-wing force'.

M. Rakosi, in a public address, spoke 'with Communist frankness' and disagreed with M. Szakasits on a point of 'very serious ideological importance'. It was wrong for M. Szakasits to claim that the Social Democratic Party had 'never left the road of class struggle', even in the days of M. Peyer's leadership. M. Rakosi said that, on the contrary, M. Peyer and his associates had been able to bend the party to their will; and even now similar issues were at stake. He declared: 'If we fail to see eye to eye on this question, or put it aside or belittle it, then we shall inflict enormous damage not only on the Social Democratic Party, but also on the entire Hungarian democracy.'

19 Jan.—Reparations concession (*see U.S.S.R.*).

INDIA. 10 Jan.—It was learned that on 7 January Sardar Mohammad Ibrahim, president of the Azad Kashmir 'government', sent a telegram to the Security Council asking them to judge the Kashmir dispute in the spirit of the Atlantic Charter. He also sent a telegram to the Prime Minister of Pakistan claiming that his 'government' exercised *de jure* and *de facto* sovereignty over more than half of Kashmir and stating that the dispute was not between India and Pakistan but between the Maharaja, backed by India, and the 'people of the country who are fighting for their liberties'.

Following a request from the State authorities, the Government took over the administration of law and order in Akalkot State, where, according to reports, lawlessness prevailed.

11 Jan.—Joint Defence Council (*see Pakistan*).

13 Jan.—Mr Gandhi began a fast, to continue for an unspecified period, in furtherance of Hindu-Muslim unity and understanding.

Offer of mediation over Kashmir (*see Arab League*).

15 Jan.—Kashmir Dispute (*see Security Council*).

16 Jan.—On the fourth day of his fast Mr Gandhi referred to the news that India had decided to implement immediately the financial agreement with Pakistan and to hand over the cash balances as 'putting Pakistan on test'. This was not a gesture of weakness or appeasement of the Muslims but of generosity. He hoped it would solve the Kashmir and other issues between India and Pakistan. He added that he was not yet convinced that the necessary conditions had been fulfilled for him to abandon his fast. He would do so only when satisfied that its object was attained.

18 Jan.—Mr Gandhi broke his fast after receiving assurances from the leaders of all communities that they would carry out the conditions he had laid down for restoring communal harmony, primarily in Delhi, but ultimately throughout India and Pakistan.

20 Jan.—A bomb was exploded at Mr Gandhi's prayer meeting but neither he nor his audience were injured.

THE INDIAN STATES. 13 Jan.—Abdul Latif Khan, chief of the Malikdin Khel, welcoming the Pakistan Prime Minister to the Khyber Agency, said that the 60,000 tribal raiders in Kashmir would never withdraw. The tribal *maliks* would welcome a United Nations commission, and would afford it every assistance, but they would not accept a decision contrary to their present policy, nor would they agree to any compromise such as a partition made by Pakistan and India. He declared that 'blood had been shed once', and they had to continue the fight until it had been avenged.

INDONESIA. 13 Jan.—Beel statement (*see The Netherlands*).

15 Jan.—Radio Jogjakarta announced that the Republic had accepted the proposals put forward by the U.N. Committee.

17 Jan.—The Dutch and Republican representatives signed an agreement stipulating that a truce between their troops should become operative on 31 January. The two parties also signed an agreement on twelve principles to serve as a basis for political discussions. The U.N. committee submitted for consideration six further political principles.

23 Jan.—The Antara news agency reported that the Government of Dr Sjarifuddin had resigned and that Dr Mohamed Hatta had been invited to form a new Government.

IRAQ. 15 Jan.—Treaty with Britain (*see Great Britain*).

17 Jan.—Students in Baghdad declared a three-day general strike in protest against the signing of the Anglo-Iraqi Treaty.

19 Jan.—The Acting Prime Minister forbade strikes and demonstrations against the Anglo-Iraqi Treaty.

20 Jan.—The Baghdad offices of the English paper *Iraq Times* were attacked by students and others, and the front of the building was set on fire and wrecked. In a clash with the police, three students were killed.

21 Jan.—The Regent held a meeting with political leaders, after which the following statement was issued: 'In view of the importance attached

by the Regent to the country's public affairs, and of present circumstances, the Regent summoned the leaders of public opinion, comprising former Premiers, the Vice-President of the Senate, the President of the Chamber of Deputies, certain members of the Senate and Chamber, and representatives of the political parties, to a meeting at the royal palace at which the entire Cabinet was present. They unanimously decided that the Anglo-Iraqi treaty signed at Portsmouth does not realize the country's aspirations, and is not a beneficial instrument to consolidate the bonds of friendship between the two countries. As the Council of Ministers has not approved ratification of the treaty, the Regent promises the Iraqi peoples that no treaty will be ratified that does not assure the rights of the country and the national aspirations.'

22 Jan.—Statement by Prime Minister (*see Great Britain*).

23 Jan.—Some 50,000 demonstrators in Baghdad demanded the resignation of the Prime Minister.

ITALY. 11 Jan.—The federation of tax-collecting employees called a strike in support of that of the bank workers who had been on strike for a fortnight.

It was learned that a new political group known as the 'National bloc' had been formed. Sponsored by Signor Nitti, who had secured the collaboration of leading representatives of the Uomo Qualunque and Liberal parties, it was described as open to all 'democratic and Liberal forces'.

13 Jan.—The strike of bank workers was settled.

The new Uomo Qualunque Party issued a statement saying that the original Uomo Qualunque movement of Signor Giannini, after departing from its programme, finally betrayed it by joining Signor Nitti's 'National bloc'. The Party stated that they were not a secessionist movement, but a 'natural continuation' of the original movement, 'a right-wing force at the service of the nation'. The party recognized 'the supreme religious and civil value of the Roman Church', stood for free economic initiative, was opposed to totalitarianism, Marxism, and Communism, and supported a free trade union movement. In foreign policy, while demanding the revision of the peace treaty, it supported the reorganization of western Europe as outlined in the Marshall plan.

16 Jan.—An amnesty for political criminals was approved by the Council of Ministers to mark the advent of the new Constitution.

17 Jan.—Addressing the national congress of the Republican Party at Naples, Count Sforza, the Foreign Minister, spoke of Italy and Africa, and reaffirmed his view that Europe's political and economic reconstruction after the war 'must change also the traditional relations between Europe and Africa'. The reawakening of the Arab world and the development of local self-government might cause 'a more delicate situation to arise also in North Africa, a situation perhaps less easy but safer and more fruitful, because based on reality.' He declared that U.S. aid was essential for Italy's reconstruction, but did not represent a threat to her national independence. Turning to Italo-Yugoslav relations, he said that these had been ruffled recently by the unsuccessful

efforts to find a Governor for Trieste and by the Yugoslav request for war criminals. He announced that negotiations with Soviet Russia had been proceeding for some time, and that he hoped soon to be able to send a trade delegation to Moscow.

20 Jan.—An emigration pact with Argentina came into force under which Italy would send 100,000 emigrants to that country in 1948.

22 Jan.—Demonstrations by unemployed in Florence led to serious clashes with the police.

23 Jan.—At the close of a national congress, the Socialist Party of Signor Nenni passed by 519,616 votes to 243,159 a resolution in favour of joint lists of candidates with the Communist Party in all constituencies at the coming General Election.

Count Sforza, the Foreign Secretary, declared in a speech in Rome that Italy would be happy to collaborate with all her strength in the projected policy of European understanding which, he said, 'is all the more meritorious on Britain's part in view of the exceptional situation in which she finds herself'.

KOREA. 10 Jan.—It was learned that the U.N. Korean Commission arrived on 8 January.

23 Jan.—Soviet refusal to admit U.N. Commission (*see U.S.S.R.*).

MALAYA. 20 Jan.—The Associated Chinese Chambers of Trade decided to boycott the Federal Legislative Council and the State Councils due to be set up in February.

21 Jan.—The nine rulers of the Malay States signed the treaty which would establish the Federation of Malaya and also new treaties with Britain.

THE NETHERLANDS. 13 Jan.—The Prime Minister, Dr Beel, made a statement to the Second Chamber on the Government's policy in Indonesia. A commission of three would be established to fulfil the functions hitherto carried out by the Lieutenant-Governor-General. It would be under the presidency of Dr van Mook, the present Lieutenant-Governor-General, and the other members would be M. Neher, at present Minister of Housing and Reconstruction, and Jonkheer Dr van Vredenburg. Dr Beel said that during his recent visit to the East Indies he had met representatives of all the future members of the United States of Indonesia. The Government maintained its view that further discussions with the Republic on the cease-fire agreement could not be prolonged indefinitely. With respect to the cease-fire, no territory which was now effectively under Netherlands control would be evacuated. He said the Netherlands had assumed responsibility for the maintenance of law and order and would live up to the responsibility. The Indonesian Republic had been invited to take part in the consultations about an interim Government on condition that they acknowledged the principles of the new federal construction. He said that it was expected that a special agreement would be reached with East Indonesia, and, indeed, a preliminary agreement had already been drafted. He

concluded by outlining the political structure, based on the principles of the Linggadjati agreement, of the future Netherlands-Indonesian Union under the Crown, which would link the Kingdom of the Netherlands (which would include the Dutch West Indies) with the Federal United States of Indonesia. The statute of the Union must contain an assurance that the fundamental human rights and freedoms mentioned in the Charter of the United Nations would be maintained. The sovereignty of the Kingdom of the Netherlands over Indonesia would be maintained over the whole of Indonesian territory during the transition period ending on 1 January 1949.

PAKISTAN. 10 Jan.—Telegram from Azad Kashmir 'government' (*see India*).

11 Jan.—The Joint Defence Council met in Lahore and discussed the division and delivery of arms and equipment of the old Indian Army.

12 Jan.—Sir Zafrullah Khan, who was on his way to the U.S.A., told the Press in London that his Government were extremely anxious to see the establishment at the earliest possible date of completely friendly relations with the Indian Union. This purpose, however, could not be achieved by the attempt of the latter to isolate the Kashmir issue from other questions which were disturbing the relations between the two Governments. His Government therefore desired that, now the intervention of the United Nations had been invited, that international body should deal with all major outstanding questions of the kind so that friendly relations on the closest co-operative basis might be established as early as possible.

These major questions included the extensive slaughter of Muslims in East Punjab and Sikh and Hindu States in and around East Punjab, and parts of the western United Provinces and Rajputana. There was also the question of Janagadh and other Kathiawar States which had acceded to Pakistan but had since been forcibly occupied by Indian troops. Pakistan also complained of the withholding of its share of the cash balances and military stores regarding which a settlement had recently been arrived at. If these matters could be got out of the way on a satisfactory basis India and Pakistan, whose economic and defence problems were in many respects mutual, could begin to lay the foundation of beneficent and friendly co-operation in those fields.

Pakistan had suggested to the Indian Union that these various problems should be settled by inviting the good offices of the Governments of the British Commonwealth of Nations, but this suggestion was turned down on the ground that such good offices would mean outside interference. Pakistan made the further suggestion to India to invite United Nations observers to investigate some of these matters on the spot, but this suggestion also did not meet with favour. Pakistan was glad that the way for United Nations intervention had now been opened by the request of the Indian Union.

Some 3,000 Pathans attacked a train of refugees at Gujrat station in West Punjab and the Provincial Government stated that 174 persons were killed.

13 Jan.—Offer of mediation over Kashmir (*see Arab League*).
The Prime Minister with Khyber tribes (*see Indian States*).

15 Jan.—Kashmir Dispute (*see Security Council*).

19 Jan.—Mir Syed Ali Ahmed Shah, the Defence Minister of the 'Azad Kashmir provisional Government', and acting president during the absence of Sardar Mohammed Ibrahim at Lake Success, told the Press at Rawalpindi that his Government would be willing to call a truce only if the Security Council recognized *de jure* and *de facto* the sovereignty of the provisional Government. They would abide by any fair decision made by the Security Council but it would never accept partition. If Pakistan accepted such an award it would constitute an act of war.

21 Jan.—It was learned that a band of armed tribesmen from the North-West Frontier had reached Lahore, where they were now quartered.

PALESTINE. 10 Jan.—Purchase of explosives (*see U.S.A.*). Representations on border incident (*see Syria*).

11 Jan.—There was some firing across the border from Syria and a frontier bridge was damaged.

Arabs fired continuously on the Jewish settlement of Mekor Haim outside Jerusalem. An Arab band attacked another settlement near by, and a British police officer was killed in the fighting.

12 Jan.—The Jewish Agency stated that they had completed plans for eight Ministries for a provisional Council of Government for the Jewish State.

Firing and sporadic attacks took place in the Lake Hula district. British police and troops moved into the Mekor Haim settlement to restore order. Three Arabs were killed.

A British constable died from wounds received in an attack on a Jewish taxi near Hadar Hacarmel.

13 Jan.—Large Arab bands attacked two Jewish settlements, one in the Hula area, where they were driven off by British troops, and the other north of Haifa. A Jewish road convoy was ambushed between Jerusalem and Hebron and another near Gaza, and there was sniping on the Jerusalem-Jaffa road. Arabs fired on Jewish labourers working on the land east of Haifa. Police engaged the attackers.

14 Jan.—Arabs placed a bomb at a Jewish bus terminus in Haifa and a British constable, a British civilian, and 6 Jews were killed in the explosion. Two British civilians were shot dead in Jerusalem.

Fighting broke out around four Jewish settlements south of Jerusalem which were surrounded by Arabs. Representatives of the Arab Higher Executive went into the area to try to obtain a cease-fire.

It was learned that all Consulates in Palestine had been granted permission to bring in troops from their own countries for Consular guard duties.

15 Jan.—Some 2,500 Arabs surrounded four Jewish settlements between Jerusalem and Hebron but later dispersed on the advice of Arab Higher Executive representatives.

Street shooting continued in Haifa.

16 Jan.—In Haifa, several Arab houses were blown up by Jews. In one, 8 Arab children between 18 months and 12 years old and one young woman were killed, and four men and three children injured. In another, five Arabs were killed and five were missing, believed buried. A British Army officer was shot and wounded and a private stabbed and seriously wounded by Arabs. Eleven Jews were arrested with arms in different parts of the town.

A Hagana force, described by the Jews as reinforcements going to a Jewish settlement which had been attacked, were engaged by Arabs north of Hebron and thirty-five Jews were killed.

18 Jan.—A Jewish convoy was ambushed six miles outside Jerusalem and one Jew killed.

19 Jan.—A Jew, who was said to have tried to penetrate past the Jaffa Gate in Jerusalem in a car charged with explosives, was killed by Arabs.

Some 200 Jews attacked Tamra, an Arab village near Acre, killing two Arabs.

20 Jan.—Statements in Parliament (*see Great Britain*).

Arabs ambushed a Jewish water convoy between Hanita and Yechiam, Jewish settlements near Acre, and killed four policemen. An Arab force later attacked Yechiam and eight Jews were killed.

21 Jan.—It was learned that a police force of 300 Jews and 300 Arabs would be formed in Jerusalem.

Arabs again attacked Yechiam, this time with stronger forces.

22 Jan.—Arabs attacked a convoy at Yazur near Haifa and 7 Jewish police and 3 Arabs were killed. Two Arabs were killed in sniping in Jaffa.

PERSIA. 13 Jan.—Martial law, which had been in force in Teheran since August 1941, was lifted.

PHILIPPINES. 16 Jan.—President Roxas announced the establishment of legations in London, Madrid, and Nanking.

POLAND. 16 Jan.—The Prime Minister received by M. Stalin (*see U.S.S.R.*).

RUMANIA. 16 Jan.—A friendship and mutual aid Pact with Bulgaria was signed in Bucharest.

The Bulgarian Prime Minister, M. G. Dimitrov, addressed an open-air rally of Rumanians after signing the agreement. He said that his country had signed not as aggressors but to prevent aggression and a conflagration which might spread and encompass the nation. Referring to British and U.S. activities in Greece, he said that if there had been no foreign intervention Greece now could have been a free democracy, 'standing on our side as an ally in our fight for democracy'. What was now happening in Greece was a threat against peace in the Balkans, and it was time to put an end to that source of new conflict.

SIAM. 16 Jan.—The chairman of the committee of inquiry into the death of King Ananda Mahidol on 9 June 1946 informed Parliament that they had found that the King was assassinated. Parliament was asked to extend the period of detention of persons suspected of complicity to 180 days.

SOMALIA. 11 Jan.—Rioting broke out at Mogadishu in the former Italian Somaliland, and fifty-two Italians and fourteen Somalis were killed.

16 Jan.—British statement on riots (*see Great Britain*).

SOUTH AFRICA. 15 Jan.—Gen. Smuts announced Cabinet changes: Minister of Education, Minister of Mines, Deputy Prime Minister, and Leader of the House, Mr Jan Hofmeyr (previously Minister of Education and Finance); Minister of Finance, Mr Sturrock; Minister of Transport, Mr Waterson; Minister of Economic Development, Mr J. W. Mushet; and Minister of the Interior, Mr Lawrence.

16 Jan.—In the speech from the throne at the opening of Parliament it was stated that the Government intended to introduce a Bill for the control of the Union's 'considerable uranium resources'.

SWEDEN. 12 Jan.—The Finance Minister introduced his Budget to the Riksdag. According to the calculation, revenue during the coming fiscal year would exceed expenditure by 539 millions kronor. The total expenditure would be 4,230 million kronor, making the Budget the biggest in Swedish history. The main part of the Budget surplus came from new taxes increasing the prices on many ranges of goods, such as tobacco, cigarettes, spirits, wine, beer, soft drinks, and chocolate by a round 10 per cent. The price of petrol rose 30 per cent. Taxes on motor-cars, cinema tickets, and State football pools were also heavily increased.

The new foreign trade plan, published as part of the Budget, foresaw exports valued at 3,500 million kronor during 1948, and imports of the value of 4,000 million kronor, assuming that the international prices of raw materials were roughly unchanged. The import plan assumed a balance of trade with dollar countries. In volume the planned imports were about the same as during 1946, but much less than during 1947. No cuts in food rations or any rationing of consumption goods were regarded as likely during the year by the Government, but it was stated that the world economic situation, and especially American price developments, would decisively influence the Swedish position.

SYRIA. 10 Jan.—At the request of the Palestine Government, the British Minister in Damascus saw the Foreign Minister and asked for information on the incursion of armed bands into Palestine from Syria.

TRIESTE FREE STATE. 16 Jan.—British Note (*see Great Britain*).

UNITED NATIONS

BALKANS COMMISSION

10 Jan.—The Commission published an interim report stating that they were watching developments on the frontiers of Greece with great uneasiness, and the gravity of the situation might compel them to call a special session of the General Assembly. The report quoted speeches of Gen. Enver Hodha, Marshal Tito, and M. Dimitrov when the recent Balkan pacts were signed to show the animosity and bellicosity of Albania, Yugoslavia, and Bulgaria towards Greece. The report established that Greece alone of the four countries had worked for the restoring of good neighbourly relations in the Balkans. The Greek Government, through the good offices of Great Britain, had made unsuccessful efforts to resume diplomatic relations with Bulgaria, and had been unable to make a peace treaty with Albania because of that country's active assistance to the Greek rebels.

17 Jan.—The Commission submitted their second interim report to the United Nations. They stated 'that they had carefully studied the report of their military advisers on their recent tour in the Jannina-Konitza area and had reached the conclusion that aid in the form of logistical support was being furnished from Albania to guerillas operating on Greek territory'. They considered this fact, as well as the refusal of Albania to allow the establishment of United Nations' observation groups on its territory, to be contrary to the recommendation of the General Assembly. They added that the Bulgarian Prime Minister, M. Dimitrov, in a speech on 31 December had offered clear evidence of the absence of good neighbourly relations between Bulgaria and Greece, and of Bulgaria's non-compliance with the General Assembly's recommendations. The Commission 'deemed these facts to be of important political significance in the present period of tension ... in Greece'.

PALESTINE COMMISSION

14 Jan.—Sir Alexander Cadogan gave the Commission, in secret session, a preliminary outline of the British Government's views on the future of Palestine.

15 Jan.—Mr Shertok of the Jewish Agency told the Commission that its success or otherwise in securing the evacuation by the British of a seaport by 1 February would be taken as deciding whether the Assembly resolution was or was not to be carried out according to its terms. It would, accordingly, have a bearing on internal security. It was also tremendously important from the viewpoint of immigration. That day was regarded by Jews wanting to go to Palestine as the day of 'the green light', and he doubted whether any admonition or advice could stem the pressure thereafter.

The Philippines delegate informed the Commission that he had drafted a request to the Security Council to provide an international military force to support the Commission in their task of partitioning Palestine after British forces had withdrawn.

19 Jan.—The Arab Higher Committee declined the Commission's invitation to appoint representatives to assist the Commission.

21 Jan.—Sir Alexander Cadogan told the Commission that it was his Government's intention to maintain its present policy in regard to Jewish immigration to Palestine, under which 1,500 Jews were admitted monthly, until the end of the mandatory administration. On the British plans with regard to the implementation of the Assembly's resolution recommending the evacuation of a Jewish port and hinterland by 1 February, he said his Government had repeatedly stated that as long as the mandate lasted they must have undivided control over the whole of Palestine. For this reason it was impossible for them to comply with the recommendation concerning evacuation of a Jewish port and hinterland as long as the mandate continued.

SECURITY COUNCIL

15 Jan.—*Kashmir Dispute.* The Council considered the dispute between India and Pakistan over Kashmir.

Mr Ayyengar (India) explained that Kashmir was of 'vital importance to the security and international contacts of India'. Kashmir had started negotiations simultaneously with India and Pakistan after 15 August, but India, although vitally interested in any decision Kashmir might take, had at no time exercised the slightest pressure. On the other hand, Pakistan had started an economic blockade, of which he gave details, and had developed its plan of coercion with propaganda and armed raids into Kashmir territory from West Punjab. A Note of protest by Kashmir to Pakistan had hinted that unless unfriendly acts stopped, Kashmir might ask for 'friendly assistance'. Mr Jinnah, according to Mr Ayyengar, had treated this hint as an ultimatum, and even before his reply had been received by Kashmir, a 'large-scale invasion of the State from the side of the North-West Frontier Province' had begun. He outlined the story of the advance of the invaders almost to Srinagar, and the Maharaja's appeal to the Governor-General of India for help.

He declared that the Indian Army alone stood between the miscreants, murderers, and marauders, and the people of Kashmir. The withdrawal of the invaders was thus the first and only task to which the Council had to address itself, and he emphasized that it should be a matter not only of urgency but of immediacy.

16 Jan.—Sir Zafrullah Khan (Pakistan) handed in a statement dealing with relations between India and Pakistan since 15 August 1947, and invited the Council to supervise and assist the execution of all agreements made between India and Pakistan in pursuance of the partition decision. The background of the accession of Kashmir to India was, he declared, the campaign of 'genocide', of which the Muslims in East Punjab and the neighbouring Sikh and Hindu States had been the victims; the double-dealing of the Hindu Maharaja of Kashmir, who made a standstill agreement with Pakistan to appease the Muslim majority of his subjects and then staged massacres to create a situation which would offer an excuse for accession to India; the inevitable uprising of the Muslims in the State, who resolved to sell their lives

dearly before they suffered the fate of their co-religionists in East Punjab; the Maharaja's appeal to the Government of India and the action of the Government of India in sending troops, without any prior consultation with Pakistan. It followed therefrom that Pakistan could not accept the accession of Kashmir to India. He did not reject a plebiscite, but a plebiscite while armed bands and forces of the Indian Union were in Kashmir would be a farce. Accordingly he invited the Council to appoint a commission with the function, among others, of arranging the cessation of fighting in the State, the withdrawal of all outsiders, the return to their homes and the rehabilitation of the Muslim inhabitants driven from the State since 15 August, and the payment by the Government of India of compensation for damage and injuries; the impartial and independent administration of the State of Jammu and Kashmir, fully representative of the people, and thereafter a free and unfettered plebiscite on the question of accession to India or Pakistan.

He declared that Kashmir, however, was only one in a chain of related events arising from India's persistent attempts to undo the partition scheme. An attempt to settle one in isolation from the other could only lead to frustration and increase the explosive possibilities of the situation. He alleged that the 'genocide' of Muslims was still practised in certain areas of India with the complicity of the local rulers and officials; that the security, religion, culture, and language of 35 million Muslims in India were in danger. He brought to the notice of the Council India's action in upsetting by military force the accession of the States of Junagadh and Manavadar. These were aggressions against Pakistan which, if not firmly handled and resolved, would leave Pakistan with no alternative but itself to take military action to clear out Indian troops and restore the States to their lawful rulers. He brought up also India's failure to implement financial agreements and the Reserve Bank's refusal, under pressure by the Government of India, to fulfil its obligations as a banker and currency authority in Pakistan. Finally, he complained that 'India now threatens Pakistan with direct military attack, the object of which is the destruction of the State of Pakistan.' He asked that besides Kashmir, the Security Council's commission should deal one way or another with all these matters. It would be its business to investigate the massacre of Muslims in India and bring the guilty persons to trial before an international tribunal; to reverse the great mass migration, at least in one direction, by restoring to their lands, homes, and property all Muslims who had been compelled to leave India, to take effective steps for the future security of Muslims in India, and to arrange for the evacuation of India's forces and civil administration from the Kathiawar States. He gave a categorical denial to the Indian complaint that Pakistan was assisting tribesmen and others fighting for the 'Azad Kashmir Government' but also pleaded Muslim alarm that Kashmir Muslims might fall under the control of a Government which had not prevented planned massacres by Sikhs in the Punjab States east of the Punjab and Delhi.

17 Jan.—Sir Zafrullah Khan claimed that Pakistan had on several

occasions taken the initiative to settle difficulties in relation to Kashmir, either with the State Government or the Government of India, and were as often rebuffed. Included among these were Mr Jinnah's proposals to Lord Mountbatten on 27 October (*see* III, p. 642). He suggested that India had come to the Security Council owing to the failure of her army to enforce a decision.

At the suggestion of Mr Noel-Baker (Britain), the two delegates agreed to meet, and, with the help of the President of the Council, to try to arrange a settlement, or a basis of one, between themselves.

20 Jan.—The President announced that India and Pakistan had agreed to the appointment of a United Nations Commission to mediate between them, firstly on the Kashmir dispute, and secondly 'when the Council so decides', in relation to the matters of which Pakistan complained. The resolution to set up the commission was adopted by nine votes to none, with two abstentions, the U.S.S.R. and the Ukraine. It was agreed that both countries should choose one member of the commission and those countries chosen would select a third member. The commission would 'proceed to the spot' as soon as possible.

23 Jan.—Sir Zafrullah Khan asked the Council to accept communal strife, particularly the Sikh attacks on the Muslims in East Punjab and the Punjab States, as the relevant background to the armed resistance which tribesmen from the frontier and the Kashmiris were putting up against the Indian army in Kashmir.

Mr Setalvad contested the relevance of this argument, but said he felt bound to correct Sir Zafrullah Khan's 'perverse distorted' picture. He drew attention on the killings of Hindus and Sikhs in Pakistan and said he did not accuse the Pakistan Government of responsibility or complicity, any more than he accepted responsibility for the Government of India; but he did complain that the Pakistan Government had raised these issues before the Council just to confuse a perfectly simple issue. That was the action of Pakistan in giving 'warlike passage' and other direct and indirect assistance to the 60,000 tribesmen now fighting in Kashmir against the constituted Government of the State.

U.S.A. 10 Jan.—The Jewish Agency stated in New York that it had been the purchaser of the explosives of which the greater part was seized by the police on 8 January (*see* page 28). It cited as justification for its actions the provision for a Jewish militia 'to defend the Jewish State and to maintain public security', which, it said, was contained in the United Nations' Palestine resolution.

12 Jan.—President Truman, in a Budget message to Congress, said: 'The expenditure of the Federal Government is still inescapably dominated by the war and its aftermath.' He explained that in 1939 only 29 per cent of the national expenditure was devoted to the categories of national defence, international affairs, veterans, interest on public debt, and tax refunds, leaving 71 per cent for all other Government expenses. In the 1949 budget the position was completely reversed. The same five categories took 79 per cent of the revenue, leaving only 21 per cent for normal peace-time activities. He then gave the *per capita* cost of these

programmes. The cost of national defence has risen from \$8 per head in 1939 to \$75 in 1948; international affairs from 15 cents to \$48; veterans' expenditure from \$4 to \$42; debt interest and tax refund from \$8 to \$49. Other items of expenditure have increased by only \$7 per head—from \$49 in 1939 to \$56 in 1949. He considered this a small increase, taking into account how the cost of all goods and services has risen during the last ten years. The number of civilian employees in departments other than those, expansion of which was directly connected with the war, had risen only from 366,770 to 408,000.

Expenditure for national defence and international activities took 46 per cent of the total budget. All other expenditure was estimated at \$21,600 million—about the same as for the current year—of which \$6,100 million was for veterans, \$5,200 million for interest, and nearly \$2,000 million for tax refunds. International affairs, amounting to \$7,000 million, accounts for 18 per cent of the budget, compared with 15 per cent for the current year—a net increase of less than \$1,500 million. It was estimated that only \$4,000 million of the \$6,800 million asked for the E.R.P. would be actually spent in the fiscal year. This sum, with \$1,250 million for the occupied areas, accounted for the greater part of the estimated expenditure. The cost of the new aid programmes would, the message stated, be largely offset by reductions of expenditure under the headings of the British loan, Unrra, and post-Unrra relief. The public debt, which was \$258,000 million on 30 June 1947, should be reduced to \$246,000 million by 30 June 1949, if the principle that total tax receipts should not be decreased was accepted and the surpluses for 1948 and 1949 were used for the reduction of the national debt.

European Recovery Programme. Mr Marshall, giving evidence on the aid programme before the House of Representatives Foreign Affairs Committee, said: 'Do we meet the situation with action or do we step aside and allow other forces to settle the pattern of future European civilization? Aid must be prompt and it must be adequate, flexible, and efficient in operation. If we do not move out to meet the problem of today it will certainly come to us here in the U.S.A. under conditions far more unfavourable to us. The situation in Europe has not yet developed to the point where the grim progression from economic uncertainty to tyranny is probable. But without U.S. support of European self-help this progression may well become inevitable.' Saying that the United States faced a 'historic decision', he went on: 'This aid must cure the illness without impairing the integrity of the nations we wish to support. The proposed programme will impose burdens on the American people, but the quantity of exports contemplated is less than those of the past fifteen months. Europe must be restored if durable peace is to be attained. European economic recovery is essential to the preservation of basic freedom in the most critical area in the world today. It is essential to the return of normal trade and commerce throughout the world. The U.S.A. is the only nation today with the strength to lend vital support to such a movement. We want peace. We want security. We want to see the world return to normal as quickly as possible. We are in a position of leadership by force of circumstances. A great crisis has to be met.'

Speaking of propaganda against the plan and its 'tremendous psychological effect,' he said that during the London Council of Foreign Ministers 'the tremendous barefaced efforts to overthrow the Governments of France and Italy' stemmed largely from propaganda against the U.S.A.

He said his 'contacts with officials of satellite Governments' had encouraged him to believe that other European countries would eventually join in the plan. They had expressed grave fears over the effect the programme's success would have on their trade and economy. They feared a Western curtain, he said, adding, 'of course there will be nothing like that.'

Mr Marshall indicated that he was prepared to agree to a compromise on the methods of administering the programme and declared: 'I believe, however, that authority for administration should be vested in a single individual and not in a commission or board, and that matters of foreign policy must be subject to the control and direction of the Secretary of State.'

Mr Averell Harriman, Secretary of Commerce, told the committee: 'We must frankly face the fact that the European recovery programme will add to our difficulties in trying to control inflation. It will mean a sacrifice by the American people. The benefits to be gained, however, far outweigh the immediate sacrifices. We cannot expect to obtain direct repayment for a substantial part of the aid given.'

13 Jan.—*European Recovery Programme.* The Secretary of Agriculture, Mr Clinton Anderson, giving evidence before the Senate Foreign Relations Committee, envisaged the European Recovery Programme as helping in two ways the U.S. farmer, who, he said, was now producing one-third more food than before the war. First, exports of wheat tapering off from the 450 million bushels which could safely be exported in 1948 to 300 million in 1952 would enable the farmer 'gradually' to reduce swollen wheat production. Secondly, decreasing emphasis on exports of the scarcer foods and products in favour of those in more abundant supply would gain or regain for the U.S. farmer foreign markets for cotton, tobacco, lard, rice, fruits, and vegetables. He envisaged total exports of fresh fruits as doubled by 1952, of dried fruits increased by one-half, and of tobacco by 12 per cent, as compared with the current fiscal year. On the question of the impact of agricultural exports on domestic prices, he refused to concede the contention that present and past shipments had been the main factor in the skyrocketing of U.S. prices, and for the future he pointed out that exports under the Marshall Plan would be less, not more, than in the past. Wheat prices ought not to be affected at all, but when the Government was known to be in the market it sometimes happened, he conceded, that a rise took place. Beef, pork, and lamb would not be shipped at all during the next fifteen months and thereafter it would depend on circumstances whether exports were resumed. But the stoppage of exports did not necessarily mean that price control and rationing could be avoided. Corn supplies justified only small exports if a steep rise in prices was to be avoided. He was not certain about the effect of exports of fats and oils on prices and

conceded only a 'tiny' rise in the prices of nitrogen fertilizer as a probable consequence of exporting 8 per cent of U.S. production. He emphasized the care that had been taken to explore American availabilities as well as western European needs in food. The result, was he claimed, a workable programme which would mean continuing severe austerity in western Europe, but would, he believed, be enough to provide the energy and determination needed for recovery. Certainly the whole undertaking would be endangered if less food were provided. Other non-European nations would have to increase their aid, he added, and his department was discussing with some of them how the U.S.A. could help them to increase supplies for export.

Air Policy Report. The report of President Truman's Air Policy Commission was published and made the following points. (1) It called for a front-line U.S. air strength of nearly 7,000 aircraft by 1952, backed by 3,212 national guard-territorial aircraft and a reserve of 8,100. (2) It gave a warning that it would be a reckless course to rely on other nations not having atomic weapons in quantity by the end of 1952. (3) It declared that there was evidence that 5,000-mile range guided missiles, capable of hitting a sizeable target such as a city, would be in mass production in five years, and 'it would be unwise to assume' that other nations, too, would not have this weapon by the end of 1952. (4) It said plans to prevent and anticipate sabotage by bacteriological weapons should be intensified.

After what it called 'A-Day', when foreign countries would almost certainly possess atomic weapons 'in quantity' and would probably also have in mass production effective long-range guided missiles, however, the commission said 'transpolar and transoceanic' attack by guided missiles, as well as internal sabotage followed by 'invasion by airborne troops to take advantage of first confusion, seize strategic points, and destroy utterly the country's resistance,' was on the cards. It called for the U.S.A. to press forward with atomic, bacteriological, supersonic, and other phases of research, coincident with the development of an adequate air force which, it insisted, must in future be the basic means of the nation's defence.

The present U.S. Air Force, the report said, was inadequate even for the period before other nations would have developed atomic weapons, and was 'hopelessly wanting in respect of the period when serious danger of atomic attack will exist'.

The report advocated a rigid enforcement of war-time security measures with respect to advanced aeronautical development and recommended that the possibility of employing atomic energy for the propulsion of aircraft be followed up.

The report divided the future into two parts: phase one—the present—'during which we may assume that we have a monopoly of atomic weapons,' and phase two, 'the time when other nations will have atomic weapons in quantity and the equipment to deliver them in a sustained attack on the U.S. mainland'. It might seem that a major war in the first phase was unlikely, it declared, but there was such a thing as 'blundering into a war', and the U.S. might be prepared for war during phase one.

'Unless the incompatibility of East and West can be overcome and the energy of the world turned towards the building of peace rather than toward preparation for destruction, a war may break out which neither side wants. For phase two, a strong defensive establishment was needed to minimize the enemy's blow and above all a counter-offensive air establishment 'which will be so powerful that if an enemy does attack we will be able to retaliate with the utmost violence and to seize and hold the advanced positions from which we can divert the destruction from our homeland to his'.

Recommendations by the Commission for increases in the Air Force and Navy budgets would increase the military budget from their present rate of \$10,098 million to \$10,790 million for 1948 and to \$13,200 million for 1949.

Of the possibility of an atomic attack on the U.S.A. the commission said: 'It is impossible to know certainly when other nations will have atomic weapons, but it is proper to assume for our present planning purposes that other nations are not now producing such weapons in quantity.' The statement was based on authoritative evidence, but the commissioners stressed the fallibility of expert evidence and the importance of continuing to be fully informed, and continued: 'If an effective system for reviews of the strategic situation and for the adapting of our procurement and research and development policies to our strategic needs is established, it would be safe to assume, in making our plans for the next two years, that any hostile Powers will not be producing atomic weapons in substantial quantities before the end of 1952. It would be an unreasonable risk to assume that America will surely have warning of the manufacture of atomic weapons by others.'

Of the United Nations, the report said that even the most optimistic view of its record did not assure that the United Nations would develop in time the necessary authority to prevent another war. 'We believe that the U.S.A. will be secure in an absolute sense only if the institution of war itself is abolished under a regime of law,' the report said. 'World peace and the security of the U.S.A. are now the same thing.' The commissioners go on: 'We believe that a strong America will be a force for peace. Our armaments will not guarantee that peace absolutely. But the chances of avoiding war will be greatly increased if this country has the available force to strike back and to defeat anyone who breaks the peace.' It was hoped that the existence of such a force 'will do more than win a war. The hope is that by serving notice that war with the U.S.A. would be a most unprofitable business we may persuade the nations to work for peace instead of war.'

14 Jan.—President Truman, in an Economic Message to Congress, gave a warning that a depression in the U.S.A. was 'a certainty' unless prompt measures were taken to halt current inflation. There was no way of telling when the crash might come, but one could be certain that if inflation were permitted to run its own course the depression would break with destructive force. He went on: 'How serious or prolonged such a situation would be cannot be foretold. Whatever its character, if a depression occurs it will be far more costly to human

welfare and will involve the Government in far more pervasive intervention in the economic life of the country than the measures which are necessary to prevent it.'

For 1948 he laid down three main objects of economic policy: 1. To halt the inflationary trend. 2. To maintain maximum employment, achieve maximum production, and adjust the price-income structure so as to stop the inflationary spiral without cutting production or causing extensive unemployment. 3. To establish firmer foundations for the long-range growth and prosperity of American economy.

He spoke of the absolute necessity of prompt Congressional action to deal with the rising cost of living. 'What most fully justifies every effort to halt inflation is the certainty that if it runs its course unimpeded it will spread in its wake the disaster of falling markets, unemployment, and business losses.'

In the last six months food prices had been rising at an average annual rate of 15 per cent; rent at 13 per cent, textiles at 12 per cent, fuel and lighting at 36 per cent, and building materials at 18 per cent. Industrial wage increases had swollen purchasing power by nearly \$14,000 million but had not kept pace with the cost of living, while 'the real income of many groups, such as Government workers, teachers, and the white collar class generally, was substantially less.'

Profits, on the other hand, increased proportionally even more than either prices or wages. Corporate profits rose from \$21,000 million in 1946 to \$28,000 million in 1947. The record of prices, wages, and profits showed how they fed on one another in developing the process of inflation. In spite of the heartening production record of the year this inflationary trend was profoundly disturbing. He continued: 'At the end of the year there was a continuing prospect of fruitless and dangerous spiralling of prices and wages. Unless we as a nation show the ability to impose restraints on ourselves and utilize the machinery of our representative Government to devise well-considered regulatory measures we stand in great danger that runaway prices, over-extended credit, and unbalanced developments will lead to an economic recession. We cannot be sure that the recession would not be severe and recovery slow and painful.' He said that one of the inflationary pressures on the U.S.A. was the liquidation by foreign countries of gold, dollar, and loan assets, but these factors were a good reason for the Marshall Plan.

Besides the three objectives for this year there were three main objectives for the long-range programme: 1. Conserving and developing natural resources and capital equipment. 2. Enabling human resources to become fully productive. 3. Improving economic institutions and practices so as to use free enterprise and representative Government effectively toward maximum production and sustained general prosperity.

Dealing with the international aspects of U.S. economic relations, Mr Truman said the relative importance of the U.S.A. in the world economy has been greatly enhanced, partly because some of the older great nations had suffered adversity, but mainly because U.S. production had increased. Other nations had most of the resources needed for

reconstruction. but certain critical resources, such as food and machinery, could be supplemented only by supplies from the U.S.A. The European Recovery programme might make the difference between success and failure of world reconstruction.

For some commodities the U.S.A. must have foreign markets; a substantial part of agriculture and industrial employment was in production for export. American need for imports, especially of raw materials, would increase. The heavy drain of war production upon the natural resources of the U.S.A. must be remedied by a conservation policy supported by heavier imports and the national security must be fortified by stockpiles of strategic materials.

The recovery of foreign production and ability to export, the high demand of the U.S.A. for imports, and the international agreements to reduce obstacles to trade might be expected to help other countries to buy American products in the future without depending upon the extraordinary financial assistance now required. Nevertheless it was natural and desirable that the U.S.A. should maintain some surplus of exports in the years ahead by the steady investment abroad of private capital. It was desirable that the U.S.A., a country rich in capital, should make savings available to areas where capital was needed and where, properly safeguarded, private investments could earn a good return.

Among the figures quoted by the President were: U.S. exports in 1947 exceeded imports by \$11,000 million, nearly \$3,000 million more than the previous year. The total physical output of goods in 1947 was about 7 per cent above 1946 and 76 per cent above the 1935-39 average. A decline in services, however, reduced the total output to below the 5 per cent increase set as the goal for 1947 in his first economic report a year ago. He suggested a goal of a 3 per cent increase in the total output of goods and services during 1948 over the past year. Annual national output (including services) had increased since 1939 by 50 per cent, and an additional 35 per cent rise was envisaged over the next ten years. Progress at this rate would bring the *per capita* real income of Americans to 27 per cent above the level of 1947 and 80 per cent above the level of 1937. Gross national production for the second half of 1947 was estimated at an annual rate of \$237,000 million, against about \$204,000 million for 1946. Investment for construction, equipment, and inventories increased by 24 per cent over 1946, and net foreign investments increased by 83 per cent, while consumer expenditures increased by only 14 per cent.

He estimated an average of 59 million jobs for 1948. Employment reached 60 million for the first time, but the average was 58 million. He estimated that in the next ten years there would be 64 million in jobs.

The State Department, making public new data on the Marshall Plan, said that Britain's gold and dollar resources, now at about \$2,000 million (£500 million), would go down to one-half of that by the end of 1948, and that large dollar deficits would continue for several years thereafter. However, they considered that Britain's oversea payments

might be 'approximately in balance by 1952'. Emphasizing the importance of Britain's recovery to the U.S.A., they said: 'Further deterioration in her domestic economy might well have serious consequences for the U.S.' The statement covered the export and import production and the political prospects of each country, including western Germany, involved in the Marshall Plan. A continuation of almost all existing controls was forecast, including food, clothing, and petrol rationing during and after the completion of the European Recovery Programme. The statement said that: 'If in future the British Government should become convinced that sterling is an over-valued currency and that the present exchange rate is permanently and adversely affecting the balance of payments, or is otherwise causing serious difficulties, Britain will probably seek to make required adjustments in the rate of exchange in co-operation with the International Monetary Fund. Should Britain's economic stability and its trading and world position fail to be restored, the stabilizing influence which it has heretofore exercised in many strategic parts of the world would be lost, and the adverse effects on the interests of the U.S.A. would be incalculable.'

The importance of Britain's oversea dependencies in helping eventually to achieve a satisfactory balance of payments was emphasized. 'They will likewise be a primary source from which the U.S.A. will be able to attain, for stockpiling purposes, raw materials which are required as a result of deficiencies or potential deficiencies in our own natural resources. The anticipated expansion of production of such materials should increase the net dollar earnings of these dependencies during the recovery programme period.'

The War Assets Administration cancelled the sale of 200 tons of explosives to the Foundry Associates Incorporated, which, with funds supplied by the Jewish Agency, had bought them for shipment to Palestine.

16 Jan.—*European Recovery Programme.* Testifying before the Senate Foreign Relations Committee, Mr J. J. McCloy, president of the International Bank, said that the Bank insisted on the power of inspecting the books of borrowing countries and ensuring that loans were not diverted to non-productive purposes. He thought that such a method was possible and advisable for the E.R.P., though with more latitude (*see also Great Britain*).

The Government sent a Note to Yugoslavia in reply to a protest made by that country to the Security Council concerning the meeting in Trieste of an Italian political party of which Yugoslavia had requested the dissolution. The Note refused to admit the right or obligation of Yugoslavia to interfere in the internal affairs of the Anglo-American zone of the Free Territory.

17 Jan.—Mr John Foster Dulles, addressing the Foreign Policy Association in New York, said he was convinced that the U.S.S.R. did not want to risk a major war, and that its policy now was 'not war, not peace', a policy which assumed that 'the other fellow has great self-control'. It was unthinkable that the U.S.A. should start a preventive war, which would expose U.S. free institutions 'to the utmost peril'. To

concentrate on a threat which was not real might 'expose us to the damning charge that we are planning the war which all men dread'. Military factors were not to be ignored, but in accordance with U.S. tradition they should let the military be an instrument of national policy and not itself the maker of that policy. 'The present known obstacle to peace,' he declared, 'is the confident belief of the Soviet Communist Party that their weapons of propaganda, penetration, and sabotage will prevail. That obstacle must be cleared away. We must show that the free societies can generate forces for construction which will render impotent these Soviet methods of destruction.' He hoped that, once the Soviet leaders were convinced that 'they cannot indefinitely expand their power by trick devices of minority penetration and sabotage', a new phase of peace-making would begin. That would not mean an entire end of the struggle, but the struggle might then be 'at a more normal level, consistent with friendly intercourse'. He said the U.S.A. must combat Soviet expansion 'with food and fuel, with creative ideas and lofty ideals', and not by 'striking a military posture'.

20 Jan.—The State Department gave what it described as its 'best guess' at the amount of aid countries would get in the first fifteen months of the Marshall Plan: Britain \$1,760 million; France \$1,434 million; Anglo-U.S. zone of Germany \$914,500,000; Italy \$868,800,000; the Netherlands \$704 million; Belgium and Luxembourg \$322,800,000; Greece \$184 million; Austria \$180 million; Denmark \$152 million; Eire \$151,800,000; Norway \$340 million; Sweden \$328 million; Iceland \$12 million; the Saar \$10 million.

19 Jan.—The State Department announced that the Secretary of State and the Secretary for the Army were giving 'top priority' to sending food to Germany.

European Recovery Programme. Mr Bernard Baruch, giving evidence before the Senate Foreign Relations Committee, recommended an 11-point programme as follows: (1) The U.S.A. to stand ready to buy all non-perishable raw materials produced anywhere and by anyone in the world for the next five years which could not find normal commercial markets. This would be made part of European recovery legislation. (2) To extend the President's tariff authority for the next three years. (3) That the countries of Europe—as many as were willing—should band themselves into a political, economic, and defence union under the United Nations. This would include the lowering of trade barriers among them. (4) That the United States, and such others as would join, should mutually guarantee the nations entering this union against aggression. By guarantee, he said he meant a firm promise to go to war in joint defence if any of them were attacked. (5) That the European nations should organize to liberate and use every productive source of the Continent with those of the Ruhr, regulated under priorities and international control, so as to protect the peaceful interests of Germany's neighbours. (6) To stabilize all European currencies and establish realistic rates of exchange. (7) A two-year peace-production drive in the United States, where feasible with longer hours and overtime where not, to smash production bottlenecks. (8) As part of this work-for-peace

drive, a national anti-inflation programme, including the reduction of major food and agricultural prices in exchange for guaranteeing farmers an assured price for their crops for the next three years. (9) To settle realistically all pre-war and war-time inter-governmental debts. For example, Britain and her creditors must decide what is to be done with \$14,000 million of frozen pounds sterling accumulated during the war. (10) The British and others to retain their Empire preferences for three years. (11) A general staff for peace to be set up to develop an over-all global strategy for America's peace-making.

He considered that these measures, if put into effect promptly, could boost production enough to cover the whole Marshall plan and still break the present inflationary cycle almost immediately. He said the recovery authority should be encouraged to make loans, secured by assets, to foreign industries. European Governments should agree to repayment in dollars before nationalizing any such industry. This did not restrict in any way the right of Europeans to socialize any or all of their industries. He concluded: 'The time has come to organize, to mobilize for peace; it cannot be put off safely any longer.'

Release of Greek gold (*see Greece*).

21 Jan.—*European Recovery Programme*. Mr Hoover, in a letter to Senator Vandenburg, on the proposals for the administration of the Marshall plan as presented to Congress, considered that there were directions in which they could and should be improved. (1) It was suggested that the organization gave too much power to one man and one department. (2) The scope of the plan should not be limited to the 16 countries. The supply of food to and the reconstruction of China, Germany, Japan, and Korea were inseparable from the E.R.P. and should be included in the general plan. (3) Positive conditions should be included in the programme to which the recipient countries must agree. These conditions should include agreement to the trizonal economic union of Germany; peace with Japan; the cessation of plant destruction and removal; an increase in the permitted levels of industry in Germany and Japan, or the abolition of a limit altogether. (4) Even a moral commitment to a four-year programme was, in his view, unwise. 'We cannot enforce our ideas on other self-governing peoples, and we should keep ourselves free to end our efforts without recrimination.' (5) He reckoned that, together with occupation costs, the total cost of the Marshall Plan for the first 15 months would amount to \$9,000 million, equal to 18 per cent of the whole federal tax income for the period. The size of this programme, he contended, must arouse anxiety, and the country needed tax relief if productivity and employment were to be maintained. The only safe road was for the U.S.A. not to over-export. Strong voluntary conservation measures, voluntary restraints on prices and wages, and more and harder work would, he urged, help to provide exportable surpluses and avoid most of the evils of a coercive system.

He approved of the plan in general because the 'spiritual character of the American people has always led them to prevent hunger and cold to the full extent of their surplus and even to the extent of personal self-denial; because, while the defeat of Communism in western Europe is

of vital importance to the preservation of the moral and spiritual values for which we stand, it is also of vital importance that the economic and political unity of western Europe should be stimulated; and, finally, because the project builds for peace in the world.'

23 Jan.—The State Department, in a statement on Mr Bevin's speech of the previous day, declared: 'Mr Bevin has proposed measures which will enable the free countries of western Europe further to concert with one another for their common safety and good. As in the case of the recovery programme, the U.S.A. heartily welcomes European initiative in this respect and any proposal looking to a closer material and spiritual link between the western European nations will serve to reinforce the efforts which our two countries have been making to lay the foundation for a firm peace.'

U.S.S.R. 16 Jan.—M. Stalin received the Polish Prime Minister, M. Cyrankiewicz, who, with the Vice-Premier, M. Gomulka, the Minister for Industry, M. Minc, and the Under-Secretary for Foreign Trade, Dr Grossfeld, was in Moscow to discuss a trade agreement.

19 Jan.—The Government sent a Note to Hungary agreeing to the request that Hungary be credited with a higher value for its reparation deliveries, and that the true value be calculated f.o.b. Danubian ports instead of f.o.b. Black Sea ports. The concession would mean a reduction of \$70,200,000 on the remaining liability of \$155 million, \$45 million having been paid.

20 Jan.—*Five-Year Plan.* The State Planning Commission of the Soviet Union issued its annual report on the execution of the plan (1946-1950). The target figure for gross industrial output was exceeded by $3\frac{1}{2}$ per cent, the highest percentage being reached by the Latvian Republic with 117 per cent. Two of the constituent Republics fell short of their targets—the Karelo-Finnish showing 87 per cent and the Ukraine, which was one of the worst devastated areas, 99 per cent. The report stated that in 1947 only six of the twenty-eight industries fell short (as compared with fourteen in 1946), and that the lowest, transport machinery, secured 94 per cent. Coal production, which throughout the past year has been the subject of much criticism, reached the target quantities in the eastern districts (97 per cent in 1946) and 95 per cent in the western districts (103 per cent in 1946).

While the 1946 harvest was the worst for fifty years, in 1947 agricultural production as a whole increased by 48 per cent over 1946—grain crops by 58 per cent, cotton by 21 per cent, potatoes by 30 per cent, and sugar beet by 190 per cent. The grain harvest was said to have reached 'the pre-war level'.

Industrial output was up by nearly one-quarter, and that of the textile and light industries by one-third. The industry that showed the best improvement over 1946 was that of railway locomotives, the output of which was up by 177 per cent, and the poorest were those of steel and copper, both up by 9 per cent. In the last quarter, the report stated, industrial output 'reached the average quarterly level of 1940'.

Work on capital construction exceeded the 1946 figures by 10 per

cent, the light industries and food production showing the largest increase. Housing achievements were described in terms of 'square metres of living floor space'—9 million newly built or restored by the State and the local soviets, and 4 million built by individual citizens 'using savings earned by their own labour'. (In 1946 the total was 6 million square metres, and no mention was made of this second category.) In rural areas formerly occupied by the Germans, 370,000 dwelling houses were built. The total of wages paid was stated to have risen by 23 per cent over 1946, at the end of which year there were considerable increases in the price of rationed goods and some advances in wages.

The report referred to the system of 'socialist competition' which spread during the past year and ended with a reference to the workers of Leningrad, on whose initiative a movement was said to be developing throughout the country to fulfil the Five-Year Plan ahead of time.

23 Jan.—The Government informed the United Nations that the U.N. Commission in Korea would not be permitted to enter the zone occupied by the U.S.S.R.

FORTHCOMING EVENTS

- Feb. 1 The Federation of Malaya inaugurated.
- „ 2 Economic and Social Council, Lake Success.
- „ 4 General Election in Eire.
- „ 4 Ceylon to attain Dominion status.
- „ 15 General Election in Paraguay.
- „ 19 U.N. Maritime Conference, Geneva.
- „ 26 The Corfu Mining Case before the International Court, The Hague.
- Mar. 7 General Election in Italy.
- „ 21 Conference called by the British Labour Party and the French Socialist Party of the Socialist Parties of all the countries involved in the Marshall Plan to discuss the Socialist part in the working out of the Plan, London.
- „ 23 U.N. Conference on Freedom of Information, Geneva.
- „ 31 Election in Korea.
- May — Economic Commission for Asia and the Far East, India.
- „ 15 Termination of British Mandate for Palestine.
- „ 17 Conference of International Non-Governmental Organizations, Geneva.
- June — U.N. Trusteeship Council, Lake Success.
- „ — World Power Conference, Stockholm.
- „ 1 Arab and Jewish States in Palestine to be formed.
- „ 1 I.C.A.O. Conference, Geneva.
- „ 4 International Socialist Conference, Vienna.
- „ 17 I.L.O. Conference, San Francisco.
- July 12 Economic and Social Council, Geneva.
- Aug. 1 Withdrawal of British troops from Palestine to be completed.
- Oct. 1 Arab and Jewish States in Palestine to become independent.